

A Review of Vermont Education Expenditures from FY96 to FY01

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Executive Summary

This study is an effort to characterize the resources purchased with education dollars and to determine how education spending has changed in the recent past. Using data collected annually by the Department of Education, we have identified major areas of spending and isolated a few categories of spending that are growing faster than average. Here we ask several questions about where Vermont's educational dollars are spent and provide preliminary answers to those questions. In addition, we point to several areas that require further inquiry.

We examined six years of school finance data and put forward the following observations:

- Overall, education spending is growing faster than inflation despite a declining student population. Virtually all areas of spending have a growth rate greater than the inflation rate, and a few types of expenditures are growing more rapidly than the statewide average.
- When expenditures are grouped by function category, Direct Instruction makes up about 60 percent of spending and grows at about the same rate as the statewide average for all expenditures. The function categories that show the most rapid growth are Support Services for Students and Support Services for Instructional Staff. The growth of Support Services has been particularly dramatic since the adoption of Vermont's Equal Educational Opportunity Act of 1997 (Act 60).
- When expenditures are grouped by the type of resource purchased (object), Purchased Services have shown the most rapid growth. However, Salaries and Benefits comprise about 75 percent of spending for this category. Salaries account for about 60 percent of expenditures and have a slower rate of growth than Benefits, which make up the remaining 15 percent of category spending.
- Expenditures for two types of educational agencies – union school districts (USD) and supervisory unions (SU) – are growing more rapidly than others. USDs are expanding generically across all categories while growth of SU spending appears to be related to educational programs specifically.
- Special education program expenditures are growing more rapidly than expenditures for regular education.
- Overall expenditures have grown more rapidly since Act 60 implementation began in FY98 than during the three years prior to its passage.
- Per pupil secondary education expenditures exceed those for elementary costs, but elementary and secondary spending grow at similar rates.
- Districts are spending more money on contracted services now than they did five years ago.

- Growth in Salaries primarily represents increases in the number of staff members rather than an increase in average Salaries.

Purpose of This Study

The State of Vermont distributes federal and state education dollars to districts. The amount of money spent on education continues to increase despite declining enrollment figures. State policy-makers are interested in knowing how that money is spent. The first step in answering this question is to identify the resources acquired with education dollars. This study is an initial attempt to isolate the resources driving education cost increases using existing expenditure data. In particular, we are interested in identifying expenditures that represent a substantial portion of total expenditures and that are growing more rapidly than total expenditures.

In this preliminary study, we examined six years of expenditure data, grouped in very broad categories, to answer some questions about where Vermont's educational dollars are being spent and to discover areas needing further research. For instance, we asked whether grade level is an important determinant for expenditure growth. As described below, the data suggest that further research into secondary tuition rates is necessary to understand the rapid growth of secondary expenditures between FY99 and FY01.

In the report's first section, we describe the data used in the analysis, give an overview of the expenditure data and evaluate the impact on expenditures of Act 60 the most recent education finance law. The remainder of the report describes specific research questions and conclusions and points to potential areas for further study. We expect this study will raise more questions than it answers.

Data Available for Analysis

Annual Statistical Report data: benefits and limitations

Each year, the Department of Education collects actual expenditures from school districts through the Annual Statistical Report (Statbook). Expenditures are reported by each local education agency (LEA) and labeled by program, function, object and level. The multi-dimensional nature of the data collection is necessary for the department to fulfill its federal reporting requirements. It is this characteristic of the data that allows education analysts to divide expenditures into functional categories for answering questions about educational spending. For instance, determining how much is spent on salaries for high school teachers at union schools is achieved by selecting high school data from USDs coded as Object 100 (Salary), Program 100 (Regular Education) and Function 1000 (Direct Instruction).

Statbook data are conceptually ideal for the purpose of this study. In reality, however, the complexity of the data creates problems that must be taken into account when evaluating any analysis based on those data. These problems include inconsistent reporting across districts; misinterpretation of the rules for coding expenditures; changes in the rules for reporting across years; data entry errors; and duplication of expenditures.

Duplication arises when one type of district spends money received from another district for an educational purpose. Because both districts incurred the expenses, the expenditure is duplicated. One of the most common duplicating expenditures is tuition. One district reports paying tuition to send a student to another district's school. The second district reports expenditures spent actually educating the

student (e.g., the cost of the teachers, supplies, etc.); thus the cost of educating the student is reported twice.

The Statbook also includes expenditures that would not be made without special offsetting revenues and should not be considered when looking solely at educational expenditures. An example of these expenditures includes enterprise operations. A school might operate a food service program that earns the money required for its operation. An analysis examining school expenditures should either eliminate enterprise operations or include the expenditures less the offsetting revenues.

Comparing Statbook data over years is problematic because reporting rules and statutory requirements change over time and the procedures for collecting and cleaning the Statbook data varies from year to year. Act 60 is a salient example of a statutory requirement influencing Statbook reporting. For example, Act 60 requires districts to contribute to a statewide education fund creating an expenditure that did not exist prior to FY99. In this study, we have either eliminated expenditures that changed over years or re-coded expenditures to improve consistency over years.

In the first section of this report, Statbook data submitted for the National Public Education Financial Survey (NPEFS) were used to provide an overview of educational expenditures and to evaluate potential changes following the implementation of Act 60. As described below, FY01 expenditures in this section were adjusted to compensate for a change in the protocol for collecting tuition data.

The second part of the report includes specific research questions. For this analysis, Statbook data from FY96 through FY01 were combined into a single database. The data were examined and recoded to minimize reporting inconsistencies. After an initial data review, selected expenditures were removed to facilitate analysis. Expenditures were selected for removal because they were either conceptually inappropriate for this analysis or showed extreme volatility over years. Expenditures removed include adult education, community services, enterprise funds, non-public districts, contributions to the education fund, capital debt and transportation. Duplicating expenditures were removed on a question-by-question basis.

Other sources of data

For the purposes of this study, data were drawn from two other Department of Education collections: the Teacher/Staff Survey and Enrollment data. Annually, the department collects a Teacher/Staff Survey that includes the number of employees, employee salaries, employee benefits and the amount spent on contractors at each school. Data from this collection serve as an independent measure of spending on employee salaries and contractors. The October 1 Enrollment, reported to the department annually, was used as a measure of student population to calculate per pupil spending.

Overview of Statistical Report Data FY96 to FY01

This overview is based on Statbook data submitted in the NPEFS for FY96 to FY00 and draft numbers for FY01. These expenditures are displayed in Appendix A.

Magnitude of change

- NPEFS Current Expenditures increased from \$684,864,303 in FY96 to \$934,371,765 in FY01 in current dollars for a growth rate averaging 6.41 percent. In FY00, we learned that some districts

were reporting tuition paid to independent districts “acting as public” as public school tuition. Since public school tuition is a duplicate expenditure, correctly reporting the expenditure as tuition to independent schools increased Current Expenditures by about \$12.5 million beginning in FY00. Removing \$12.5 million from the FY01 total lowers the average growth rate to 6.12 percent.

- NPEFS total expenditures increased from \$756,322,805 in FY96 to \$999,325,043 in FY01 for an annual growth rate of 5.73 percent. Making the \$12.5 million tuition adjustment lowers the rate to 5.46 percent.
- When the Consumer Price Index (CPI) is used to convert figures into constant 1996 dollars, Current Expenditures increase from \$684,864,303 in FY96 to \$823,611,966 in FY01 for an average annual increase in expenditures of 3.76 percent over inflation. The tuition adjustment lowers this rate to 3.48 percent.
- In constant 1996 dollars, total expenditures increased from \$756,322,805 in FY96 to \$880,865,726 in FY01 for an annual average increase in expenditures of 3.10 percent over inflation. The tuition adjustment lowers this rate to 2.84 percent.

In summary, the data suggest that NPEFS Current Expenditures grew at an average annual rate of 6.12 percent over the period FY96 through FY01. Current Expenditures are growing at a rate of 3.48 percent adjusted for inflation as measured by the CPI over this period. Total expenditures are increasing at a rate of 5.46 percent or 2.84 percent when adjusted for inflation.

Function categories

Current Expenditures by function are presented in Table 1.1. We included the expenditures for FY96 and FY01 (with the tuition adjustment) as well as the difference between the two years, the percentage that each function represents of the total change and the growth rate. The increase in Current Expenditures is spread relatively evenly among functions, except for rapid increases in student and instructional staff support services. Direct Instruction is the most significant cost-driver, making up more than 60 percent of the increase in expenditures. Rapid growth in Support Services for Students represents an increase in the services available for students including health, psychological, communications and attendance services. The growth of Support Services for Instructional Staff is likely related to an increase in funding for teacher professional development.

**Table 1.1: Current Expenditures by Function
FY96 and FY01**

Function Category	Current Exp. FY96	Tuition Adj. Cur. Exp. FY01	Difference	Percentage of Change	Growth Rate
Direct Instruction	444,162,244	592,640,204	148,477,960	62%	6%
Support Services for Students	40,717,881	63,852,052	23,134,171	10%	9%
Support Services for Instr. Staff	20,734,142	31,724,576	10,990,434	5%	9%
Other Support Services	158,309,361	208,166,734	49,857,373	21%	6%
Food Service & Other Enterprise	20,940,675	25,488,199	4,547,524	2%	4%
Total Current Expenditures	684,864,303	921,871,765	237,007,462	100%	6%

Object categories

Current Expenditures by object are displayed in Table 1.2. Increased expenditures for salaries accounted for more than half of the change in spending over the period. But Salaries grew somewhat less rapidly than all Current Expenditures while Purchased Services, Benefits and Unduplicated Tuition all grew at a faster rate than all Current Expenditures.

**Table 1.2: Current Expenditures by Object
FY96 and FY01**

Object Category	Current Exp. FY96	Tuition Adj. Cur. Exp. FY01	Difference	Percentage of Change	Growth Rate
Salary	437,827,939	556,665,001	118,837,062	50%	5%
Benefits	103,731,519	150,541,655	46,810,136	20%	8%
Purchased Services	71,164,965	114,056,365	42,891,400	18%	10%
Unduplicated Tuition	19,637,498	30,208,683	10,571,185	4%	9%
Supplies	47,350,211	63,506,647	16,156,436	7%	6%
Other	5,152,171	6,893,414	1,741,243	1%	6%
Total Current Expenditures	684,864,303	921,871,765	237,007,462	100%	6%

Expenditure Changes Before and After Act 60

The period FY96 through FY01 can be divided into two phases. FY96 through FY98 occurred before the implementation of Act 60. The period FY99 through FY01 can be thought of as encompassing the Act 60 implementation period. We emphasize that this period should be considered an implementation period rather a “post-Act 60” period because the expenditures reported during this period reflect transition provisions incorporated into Act 60.

Act 60 transition provisions in FY99 and FY00 reduced the size of tax increases for towns that had large property tax bases per pupil and, therefore, enjoyed lower tax rates at higher per pupil spending levels. In addition, a decision by the Freeman Foundation to match private contributions to some school

districts in FY00 and FY01 encouraged individual donations. Some of those districts were able to eliminate local share taxes entirely.

Act 60 uses a measure called the “local yield,” which is a ratio indicating the size of a town’s income adjusted property tax base in proportion to its number of pupils. Towns with high local yields would be able to raise greater amounts per pupil at lower tax rates than towns with lower local yields. Given that local yields vary and create education funding disparities, the intent of Act 60 is to give all towns the same yield. According to this strategy, the tax rate then rises in towns where spending per pupil stays the same and in which local yield is effectively reduced to the new state yield (i.e., towns with relatively high property wealth). Conversely, the tax rate goes down for towns where local yield effectively increases under the law (i.e., towns with relatively low property wealth). The result under Act 60 is that all towns that have the same per pupil spending have the same tax rates (either market value property tax rates or income-adjusted rates), regardless of a town’s actual local yield.

During the Act 60 transition period from FY98 to FY01, districts that saw their yields effectively increase received immediate benefit. Districts with effectively declining yields saw the magnitude of their expected tax increases reduced by a combination of the Act 60 transition provisions and fundraising efforts, often supplemented by Freeman Foundation grants. Incentives to increase spending by districts that benefited from Act 60 were immediate in FY99. Districts that saw decreased yields did not feel the entire impact of pressure to lower spending until FY02. It is possible that some of the latter districts had incentives to increase some kinds of spending, especially one time expenditures, during the transition period to avoid the higher tax rates these expenditures require when Act 60 is fully implemented and Freeman Foundation money dries up.

It is important to remember that the Vermont’s Department of Education does not yet have data on actual expenditures for a single year where neither transition provisions nor Freeman Foundation donations affected the decision making process of contributing towns.

Magnitude of change

- NPEFS Current Expenditures increased from \$684,864,303 in FY96 to \$749,785,719 in FY98 in current dollars for a growth rate averaging 4.63 percent. Current Expenditures, with a \$12.5 million tuition adjustment removed, increased to \$921,871,765 in FY01. The annual growth rate between FY98 and FY01 was 7.13 percent.
- When the Consumer Price Index is used to convert figures into 1996 dollars, Current Expenditures increase from \$684,864,303 in FY96 to \$721,726,253 in FY98 for an average annual increase in constant dollar expenditures of 2.66 percent. Current Expenditures expressed in 1996 dollars with the tuition adjustment removed, were \$812,593,707 in FY01. The annual growth rate in constant dollars between FY98 and FY01 is 4.03 percent.

Function categories

Table 1.3 shows Current Expenditures for FY96, FY98 and FY01 (in constant FY96 dollars) and the growth rate for each period. For both periods, the greater portion of the increase of spending in dollars occurred in Direct Instruction. The rate of growth in Support Services for Students and Instructional Staff grew more rapidly than the increase in spending on all Current Expenditures for both periods. The rate of growth expanded substantially in the period FY98 through FY01

**Table 1.3: Growth in Function Categories in Constant FY96 Dollars
FY96 to FY98 and FY98 to FY01**

Function Category	Current Exp. FY96	Current Exp. FY98	Tuit. Adj. Current Exp. FY01	Growth Rate FY96 - 98	Growth Rate FY98 - 01
Direct Instruction	444,162,244	467,979,717	522,389,034	3%	4%
Support Services for Students	40,717,881	43,517,134	56,283,073	3%	9%
Support Services for Instructional Staff	20,734,142	22,136,986	27,963,966	3%	8%
Other Support Services	158,309,361	166,275,954	183,490,790	2%	3%
Food Service. & Other Enterprise	20,940,675	21,816,462	22,466,845	2%	1%
Total Current Expenditures	684,864,303	721,726,253	812,593,707	3%	4%

Spending on Direct Instruction (Function 1000) accounted for substantially more than half the growth in spending in both periods. In constant 1996 dollars, Direct Instruction accounted for 64.61 percent of the spending increase between FY96 and FY98 and 59.88 percent of the increase in spending over the period FY98 through FY01 (incorporating the tuition adjustment). For the period FY96 through FY98 the inflation-adjusted annual growth rate in Direct Instruction of 2.65 percent was nearly identical to the 2.66 percent growth rate in Current Expenditures. For the period FY98 through FY01 the growth rate in Direct Instruction of 3.73 percent was noticeably below the 4.03 percent growth rate in Current Expenditures.

Support Services for Students (Function 2100) accounted for 7.59 percent of the growth in Current Expenditures over the period FY96 to FY98. The function accounted for 14.05 percent of the increase in spending between FY98 and FY01.

Support Services for Instructional Staff (Function 2200) accounted for 3.81 percent of the growth in Current Expenditures over the period FY96 to FY98. The function accounted for 6.41 percent of the increase in spending between FY98 and FY01.

Object categories

Current Expenditures by object category for FY96, FY98 and FY01 are presented in Table 1.4. The expenditures are in constant FY96 dollars.

**Table 1.4: Growth in Object Categories in Constant FY96 Dollars
FY96 to FY98 and FY98 to FY01**

Object Category	Current Exp. FY96	Current Exp. FY98	Tuit. Adj. Cur. Exp. FY01	Growth Rate FY96 - 98	Growth Rate FY98 - 01
Salary	437,827,939	451,974,069	490,678,307	2%	3%
Benefits	103,731,519	109,571,274	132,696,549	3%	7%
Purchased Services	71,164,965	80,679,759	100,536,200	6%	8%
Unduplicated Tuition	19,637,498	23,739,655	26,627,766	10%	4%
Supplies	47,350,211	49,386,445	55,978,612	2%	4%
Other	5,152,171	6,375,052	6,076,273	11%	-2%
Total Current Expenditures	684,864,303	721,726,253	812,593,707	3%	4%

In inflation-adjusted dollars, Salaries (Object 100) increased by \$14,146,130 between FY96 and FY98. Salary expenditures accounted for 38.38 percent of the increase in Current Expenditures over the period. Between FY98 and FY01, including the tuition adjustment, salary expenditures increased by \$38,704,238. Salary expenditures accounted for 42.59 percent of the inflation-adjusted increase in Current Expenditures over the FY98 through FY01 period. For both periods, the rate of increase in salaries was lower than the inflation-adjusted rate of increase in Current Expenditures, 2.66 percent from FY96 through FY98 and 4.03 percent from FY98 through FY01.

Benefits (Object 200) increased by \$5,839,755 between FY96 and FY98. Expenditures for Benefits accounted for 15.84 percent of the inflation-adjusted increase in Current Expenditures over the period. Between FY98 and FY01, benefit expenditures increased by \$23,125,275. These expenditures accounted for 25.45 percent of the increase in Current Expenditures over the period. Expenditures for Benefits increased at a rate slightly greater than all Current Expenditures during the period FY96 –through FY98 and substantially faster during the period FY98 through FY01.

Purchased Services (unduplicated 300 and 500 series objects other than tuition) increased by \$9,514,794 between FY96 and FY98. Expenditures for purchased services accounted for 25.81 percent of the inflation-adjusted increase in Current Expenditures over the period and grew at a rate of 6.48 percent. Between FY98 and FY01, purchased services increased by \$19,856,442. These expenditures accounted for 21.85 percent of the increase in Current Expenditures over the period and grew at an inflation-adjusted rate of 7.61 percent. Expenditures for purchased services grew at a rate substantially greater than the rate of increase of all Current Expenditures during both periods.

Tuition to independent and out-of-state schools (unduplicated objects in the 560 series) increased by \$4,102,157 between FY96 and FY98. Expenditures for purchased services accounted for 11.13 percent of the inflation-adjusted increase in Current Expenditures over the period and grew at a rate of 9.95 percent. Between FY98 and FY01, tuition to independent and out-of-state schools increased by \$2,888,111. These expenditures accounted for 3.18 percent of the increase in Current Expenditures over the period and grew at an inflation-adjusted rate of 3.90 percent. These tuition payments grew at a rate that was substantially greater than the increase in all Current Expenditures during the period FY96 through FY98 and slightly more slowly than all Current Expenditures during the period FY98 through FY01. The figure for FY01 removes the \$12.5 million tuition adjustment, deflated to 1996 dollars. The adjustment is an *estimate* intended to make the FY01 figure more comparable to figures reported before

FY00. The Object 560 series is where any inaccuracy in the estimate would be most apparent. Consequently, the rate of increase in tuition payments from FY98 through FY01 should be looked upon with caution.

In summary, the inflation adjusted annual growth in Current Expenditures in the years following passage of Act 60 (4.03 percent) was substantially higher than the rate between FY96 and FY98 (2.66 percent). There are several possible explanations for these figures. The explanations are not mutually exclusive. It is likely that each explains some portion of the elevated growth in Current Expenditures after FY98.

It was expected that the equalizing effects of Act 60 would give lower spending districts the opportunity to increase spending. An examination of data from a number of states suggests that when states increase the equality of access to education tax revenues, higher spending districts raise taxes rather than cut spending (Odden and Picus, p. 23). This study does not examine spending at the town district level. Other studies of education spending in Vermont suggest that high spending districts have continued to increase spending, but that lower spending districts have been increasing spending more rapidly. A study comparing spending per pupil in FY98 and FY02 by equalized property value per pupil finds that although spending increases in all districts, it increases more rapidly in districts with lower property values per pupil than in districts with higher property values. (Jimerson, pp. 4-5) A study produced on behalf of the Vermont State Board of Education, while careful to note the preliminary nature of available data, also presents evidence that the gap in spending among districts is decreasing. (Vermont Department of Education, pp. 22-23) Insofar as the higher rate of growth in spending is caused by a “catch-up effect,” there is no reason to expect it is part of a long-term trend.

The qualitative provisions of Act 60 are often ignored in discussions of education spending. But the provisions that mandate improved performance and require the documentation of that performance have economic consequences. An evocative finding of this study is that Support Services for Students (8.95 percent) and Support Services for Instructional Staff (8.1 percent) are among the function areas with the highest growth rates in the period FY98 through FY01 and the greatest increases in growth between the two periods. Costs associated with appraisal services, teacher training and improvement of instructional services are reported in these function areas. It is likely that some of the growth in spending over the period FY98 through FY01 can be attributed to the efforts of school districts to comply with the qualitative provisions of Act 60.

It cannot be stressed too strongly that the period FY98 through FY01 is transitional. Using data from this period to project spending when Act 60 is fully implemented and the situation has stabilized is problematic.

Research Questions and Findings

Are special education expenditures growing more rapidly than regular education expenditures?

Special education expenditures have been increasing at a faster rate than expenditures for regular education. This raises the question of how much of the increase in education expenditures can be explained by increased special education expenditures. The NPEFS does not distinguish between regular and special education, so an alternative database must be compiled.

A set of regular education expenditures was developed including Programs 010, General Administration; 100, Regular Education; 250, Compensatory Education; 270, Gifted and Talented Students; 290, Other Special Programs; 300, Vocational-Technical Programs; and 400, Other Instructional Programs.

The growth of these regular education expenditures is compared with the growth of special education expenditures (Programs 211 and 212). Beginning in FY99, the Department of Education began collecting data for Program 050, which includes expenditures for children not yet in kindergarten. Program 050 includes expenditures for pre-kindergarten programs that would have been reported in Program 100 prior to FY99, and the Early Essential Education (EEE) Program, which was reported in Program 211 before FY99. The amount of EEE money reported on special education reimbursement forms in FY01 was used to approximate the portion of Program 050 spending that was allocated to special education in FY99, FY00 and FY01. Based on this calculation, 87.9 percent of Program 050 spending was allocated to special education, with 12.1 percent going to regular education. The expenditures have not been adjusted for the \$12.5 million correction in tuition reporting.

Magnitude of change

Regular education expenditures increased by \$175,448,928 between FY96 and FY01 for an average growth rate of 5.83 percent per year. Special education expenditures increased \$59,389,602, growing at an annual rate of 9.76 percent. Combining regular and special education expenditures shows an increase of \$234,838,530, or a combined expenditure growth rate of 6.49 percent. This figure is very close to the 6.41 percent growth rate shown in the NPEFS Current Expenditures before the tuition adjustment. Special and regular education expenditures can be seen in detail in Appendix B.

Function categories

- Direct Instruction (Function 1000) accounted for 79.53 percent of the increase in special education expenditures and grew at a rate of 9.82 percent. Support Services for Students (Function 2100) accounted for 16.48 percent of the increase and grew at a rate of 12.04 percent.
- For regular education expenditures, Direct Instruction accounted for 61.98 percent of the increase and grew at a rate of 5.44 percent. Support Services for Students accounted for 7.36 percent of the increase and grew at a rate of 8.17 percent.

Object categories

- Dividing special education expenditures along the object dimension shows that salary expenditures (Object 100) accounted for 49.18 percent of the increase and grew at a rate of 7.91 percent. Benefits (Object 200) accounted for 15.57 percent of the increase and grew at a rate of 10.82 percent. Purchased Professional and Technical Services (Object 3XX) accounted for 17.45 percent of the increase and grew at a rate of 13.96 percent.
- For regular education, salary expenditures accounted for 49.58 percent of the increase and grew at a rate of 4.42 percent. Benefits accounted for 16.57 percent of the increase and grew at a rate of 6.76 percent. Purchased Professional and Technical Services accounted for 5.76 percent of the increase and grew at a rate of 12.51 percent. Supplies (Object 6XX) accounted for 6.35 percent of the increase and grew at a rate of 6.36 percent. (Supplies accounted for a very small part of special education expenditures.)

Special education expenditures, growing at a rate of 9.76 percent per year, increased at a substantially faster rate than regular education at 5.83 percent. The combined growth rate for education spending was 6.49 percent. The faster rate of growth of special education spending increased the combined growth rate of education spending by 11.32 percent per year over regular education spending alone. Special education accounted for 15.74 percent of the combined regular and special education spending in FY96 and 18.31 percent in FY01.

This phenomenon becomes even more noticeable when the calculation is repeated with constant 1996 dollars. Regular education adjusted for inflation increased at a rate of 3.19 percent while special education increased at 7.03 percent. The combined growth rate for education spending after adjusting for inflation was 3.83 percent. The combined spending growth rate is 20.06 percent higher than the regular education growth rate alone.

A study by Thomas B. Parrish contains data that produce inflation adjusted growth rates of 3.29 percent for regular education and 6.46 percent for special education over the period FY94 through FY99. Although the time period is not identical, and it is not possible to determine whether Parrish used the same deflator, it appears that the trend in Vermont is comparable to the national trend he cites. In fact, special education in Vermont may be increasing somewhat more rapidly.

There are a number of factors that complicate comparisons of regular and special education spending. For example, this study does not address the question of student counts. It is possible that some of the more rapid growth in special education spending is caused by improvements in the identification of students in need of special education services. Some of the students receiving special education services are among the most expensive children to educate in a regular education setting. Ironically, part of the increase in special education expenditures may actually contribute to a lower rate of growth in the cost of regular education.

In sum, the higher rate of growth of special education is significant enough to be considered one of the drivers of education spending. However, the fact that special education is still a relatively small portion of Current Expenditures and an even smaller portion of Total Education Expenditures means it currently is not a dominant factor. Still, special education is growing at nearly twice the rate of regular education. If special education continues to grow substantially more rapidly than other education programs, special education will grow as a proportion of education spending. The larger the portion of education spending devoted to special education, the greater the impact of the higher rate of special education spending on the growth rate of overall education spending. Nonetheless, the significant increase in regular education spending suggests strongly that increases in special education spending are not now coming at the expense of regular education.

Why are Purchased Services Expenditures growing so rapidly?

Expenditures for Purchased Services are increasing at a rapid rate, ranging from 4.7 percent for Support Services for General Administration to 17.3 percent for Support Services for Students. Professional and Technical Service expenditures make up the majority of Purchased Services expenditures. These expenditures include SU Assessments, services purchased from any SU and other Professional and Technical Services not purchased from an SU.

SU Assessments are the fees charged by an SU to its member districts to cover the expenses of superintendent's office, including superintendent and staff salaries, special education costs, preschool expenses and costs for other services provided by the SU.

Professional and Technical Services also include services that can be performed only by individuals who have specialized skills and knowledge. These services are performed by organizations or individuals who are *not* employees of the (reporting) SU, such as architects, engineers, auditors, dentists, medical doctors, lawyers, consultants and accountants, etc. These expenditures are coded to indicate whether they are purchased from a Vermont Supervisory Union (Object 332) or another entity (Object 3XX).

It has been suggested that the increasing cost of education is largely due to unmanaged administrative costs. It is possible that SU Assessments, which are primarily administrative expenses, are causing the rapid increase in Purchased Services. Table 2.1 summarizes Purchased Professional and Technical Services expenditures by object category.

Table 2.1: Growth of Purchased Professional and Technical Services by Object

Object Category	FY96	FY01	Difference	Percentage of Change	Growth Rate
SU Assessments	30,492,513	39,842,360	9,349,847	27%	5%
Services from an SU	*	4,333,865	4,333,865	13%	*
Other Purchased Services	23,841,573	44,321,340	20,479,767	60%	13%
Total	54,334,086	88,497,565	34,163,479	100%	10%

* Expenditures were not reported in Object 332 in FY96.

Clearly, most of the growth occurs with expenditures reported as Other Purchased Professional and Technical Services (Object 3XX). Thus, these data do not support the assertion that SU Assessments are driving the growth of Purchased Services expenditures. Rather, SU Assessments are growing at a rate slower than total expenditures.

SUs are purchasing more skilled services from people outside of the Vermont education system than ever before. If SUs are choosing to hire contractors rather than hiring salaried staff, then the number of staff should rise at a lower rate than the number of contractors. Unfortunately, the Department of Education does not collect data on the number of contractors hired by SUs. However, we can address the question indirectly by comparing the cost of staff salaries with the cost of contractors. Table 2.2 shows the data from both the Statbook and the Teacher/Staff Survey from FY97 through FY01. Transportation and food service salaries and contractors are excluded from both sets of data.

Table 2.2: Salary and Contractor Data from Statbook and Teacher/Staff Survey by Year

Object Category	FY97	FY01	Growth Rate FY97 to FY01
Statbook			
Salaries	436,235,930	539,613,358	5%
Object 3XX	28,545,145	44,308,922	12%
Teacher/Staff Survey			
Salaries	418,260,067	517,849,488	5%
Contractors	3,788,323	6,048,332	12%

The cost of contractors is growing at about 12 percent, whereas salaries are growing at about 5 percent regardless of the data source. In addition, the amount of money spent on contractors is rising at a much more rapid pace than the amount spent on salaries. We cannot determine, however, whether this increase in spending on contractors is caused by preferentially hiring contractors over employing staff, acquiring more services or a combination of the two.

What is the composition of the Vermont educational staff? Is the 5 percent growth in salaries caused by an increase in the number of employees or an increase in average salaries?

Table 2.3 compares the breakdown of the staff as reported in the Teacher/Staff Survey for FY97 and FY01. In FY01, about 70 percent of salary expenditures, or more than \$375 million, were for teachers and teachers' aides salaries. The remaining 30 percent of expenditures are distributed across all other function categories, including but not limited to General Administration, Support Services, Transportation and Food Service. Appendix C shows the breakdown of staff by proportion of total salaries. The second largest function category is School Administration, which makes up only about 8 percent of salary spending, or about \$45 million.

Table 2.3: Vermont Educational Staff: FY97 and FY01

Staff Description	FY97 FTE	FY97 Salary	FY97 Average Salary	FY01 FTE	FY01 Salary	FY01 Average Salary	FTE Growth Rate	Salary Growth Rate	Average Salary Growth Rate
Preschool/Kindergarten	40.86	1,349,934	33,038	62.45	2,069,808	33,143	11%	11%	0%
Kindergarten	279.54	10,034,467	35,896	302.88	11,610,788	38,335	2%	4%	2%
Elementary (Grades 1-6)	2,753.41	98,913,408	35,924	2,843.46	108,925,323	38,307	1%	2%	2%
Secondary (Grades 7-12)	3,023.98	110,954,425	36,692	3,355.39	129,878,409	38,707	3%	4%	1%
Ungraded	1,070.00	37,367,123	34,923	1,405.25	52,349,628	37,253	7%	9%	2%
Itinerant	544.10	19,389,250	35,635	713.99	27,341,496	38,294	7%	9%	2%
Teachers Aides	3,073.77	30,070,954	9,783	3,927.90	43,823,072	11,157	6%	10%	3%
Direct Instruction Subtotal	10,785.66	308,079,561	28,564	12,611.32	375,998,525	29,814	4%	5%	1%
Attendance and Social Work	24.60	621,428	25,261	52.90	1,571,437	29,706	21%	26%	4%
Elementary Guidance Counselors	148.10	5,412,376	36,545	165.04	6,584,948	39,899	3%	5%	2%
Secondary Guidance Counselors	201.97	8,020,082	39,709	227.75	9,641,461	42,334	3%	5%	2%
Nurses and Nurses' Aides	194.87	5,318,174	27,291	266.98	7,370,491	27,607	8%	9%	0%
Psych., Speech Path., Audiology	232.99	8,140,437	34,939	279.33	10,598,799	37,944	5%	7%	2%
School Registrars	22.66	346,878	15,308	44.59	725,839	16,278	18%	20%	2%
Admin. Asst., Clerical (2100)	95.31	1,628,961	17,091	128.24	2,428,687	18,939	8%	11%	3%
Support Services for Students Subtotal	920.50	29,488,336	32,035	1,164.83	38,921,662	33,414	6%	7%	1%
Athletic Directors	38.42	1,352,494	35,203	29.83	978,012	32,786	-6%	-8%	-2%
Audiovisual Staff	31.49	751,668	23,870	45.37	1,326,310	29,233	10%	15%	5%
Admin. Asst., Clerical (2200)	56.72	948,965	16,731	50.57	1,017,743	20,125	-3%	2%	5%
Curriculum Coordinators	17.35	857,394	49,418	45.30	2,285,667	50,456	27%	28%	1%
EEE Directors	14.50	549,256	37,880	13.15	513,071	39,017	-2%	-2%	1%
Librarians	213.35	7,846,840	36,779	235.24	9,067,474	38,546	2%	4%	1%
School Library Support Staff	136.97	1,546,335	11,290	176.11	2,375,393	13,488	6%	11%	5%
Title IX Directors	0.00	0	0	3.50	99,921	28,549			
Support Services for Instructional Staff Subtotal	508.80	13,852,952	27,227	599.07	17,663,591	29,485	4%	6%	2%
Superintendents	60.30	3,916,588	64,952	59.65	4,573,564	76,673	0%	4%	4%
Assist. Superintendents	19.50	1,154,305	59,195	21.50	1,469,868	68,366	2%	6%	4%
Admin. Asst., Clerical (2300)	115.26	2,593,113	22,498	122.10	3,125,130	25,595	1%	5%	3%
Support Services for General Administration Subtotal	195.06	7,664,006	39,291	203.25	9,168,562	45,110	1%	5%	4%
Principals	296.21	15,796,762	53,330	311.56	18,925,547	60,744	1%	5%	3%
Assist. Principals	90.15	4,498,426	49,899	109.01	6,028,621	55,303	5%	8%	3%
Special Ed. Directors	59.20	3,002,517	50,718	77.24	4,369,487	56,570	7%	10%	3%
Title I Coordinators	14.15	477,650	33,756	19.02	837,545	44,035	8%	15%	7%
Admin. Asst., Clerical (2400)	463.96	8,350,809	17,999	528.07	10,366,219	19,630	3%	6%	2%
Bookkeeper	0.00	0	0	49.06	1,225,445	24,978	0	0	0
Department Heads	41.73	1,443,543	34,592	82.03	1,716,786	20,929	18%	4%	-12%
Vocational Ed. Directors	20.00	1,119,367	55,968	22.00	1,358,387	61,745	2%	5%	2%
Support Services for School Admin. Subtotal	985.40	34,689,074	35,203	1,197.99	44,828,037	37,419	5%	7%	2%
Business Managers	53.69	2,474,994	46,098	61.85	3,126,245	50,546	4%	6%	2%
Admin. Asst., Clerical (2500)	140.79	3,066,265	21,779	132.88	3,325,154	25,024	-1%	2%	4%
Maintenance and Security	926.25	18,262,065	19,716	1,045.10	22,208,899	21,251	3%	5%	2%
Support Services for Business Subtotal	1,120.73	23,803,324	21,239	1,239.83	28,660,298	23,116	3%	5%	2%
Student Transportation	338.53	3,982,826	11,765	317.69	3,917,504	12,331	-2%	0%	1%
Admin. Asst., Clerical (2800)	5.05	101,648	20,128	19.72	482,436	24,464	41%	48%	5%
In-Service Training	0.00	0	0	22.00	290,248	0			
Planning, Research, Develop	7.00	290,394	41,485	9.90	326,720	33,002	9%	3%	-6%
Statistical, Data Processing	11.00	290,772	26,434	40.60	1,509,411	37,178	39%	51%	9%
Support Services for Central Subtotal	23.05	682,814	29,623	92.22	2,608,815	28,289	41%	40%	-1%
Food Service Staff	677.58	6,480,293	9,564	672.33	7,557,573	11,241	0%	4%	4%
TOTAL	15,555.31	428,723,186	27,561	18,098.53	529,324,566	29,247	4%	5%	1%

The growth in salary expenditures is distributed across function categories. Only one category shows remarkable growth, and only one shows no growth.

Support Services for Central Office is growing at the most rapid pace and includes administrative staff, planning and research and statistical and data processing staff. The increasing need for information technology is likely the explanation for this growth. The teacher staff survey does not elegantly account for staff employed by the central office to maintain computer or network systems. These employees are recorded under statistical and data processing staff. Despite the large growth, this category accounts for less than 1 percent of the entire staff budget, about \$2.6 million in FY01, and is unlikely to drive much of the growth in salary expenditures.

The category showing no growth is Transportation. Many districts are choosing to contract transportation services, which explains the lack of growth in this category. This, among other reasons, is why we chose to exclude Transportation expenditures from the expenditure analysis.

Two questions remain:

- Is there a change in the distribution of staff categories within a functional category?
- Is the growth in salary expenditures due to hiring more staff or paying existing staff higher salary?

Only the Direct Instruction category shows a shift in composition; the change in composition is most easily seen in Appendix C. There is a greater than average increase in preschool teachers, itinerant teachers, ungraded teachers and teachers' aides. A corresponding below average growth in kindergarten, elementary and secondary teachers suggests a shift in resources away from full-time, certified teachers to teachers' aides, teachers with highly specialized skills, and teachers employed by the central office who do not have a full-time assignment in a single school. This finding is consistent with a nationwide trend toward hiring teaching staff other than full-time certified teachers.

If the growth in salary expenditures is caused by an increase in the number of staff, one would expect the average salary to have a growth rate near zero. If salary increases cause the growth, then the average salary would grow around 5 percent annually. A growth rate lower than 5 percent for average salaries indicates that both salaries and number of employees are increasing. With the exception of superintendent and food service staff, the growth rate of all functional categories is closer to zero, indicating that the number of employees is increasing more than salaries for individuals. This trend is consistent with other studies showing that the growth in salary expenditures is related to increasing staff numbers rather than increasing average salaries.

Does LEA type determine spending?

The Department of Education receives Statbook data from the several types of districts defined as local education agencies (LEAs):

- SUs report central office expenditures.
- Town Districts have expenditures related to operating schools and/or tuitioning resident students.
- Supervisory Districts (SDs) report both central office and school expenditures.
- Union or joint districts report expenditures related to operating a school only.

- The new Rivendell interstate school district's (ISSD) data include data from the towns that made up the ISSD in FY96 as well as data from the ISSD, which was created in FY01. The data are presented to complete the data set, but will not be considered further.

These variations lead to the question of whether the expenditure growth rate depends on district type. Table 2.4 shows expenditures data, including duplicates, by LEA type and year.

Table 2.4: Expenditures (with Duplicates) by LEA Type and Year

LEA Type	FY96	FY01	Difference	Percentage of Change	Growth Rate
ISSD	2,762,131	10,321,944	7,559,813	2%	30%
JOINT	1,903,063	2,605,423	702,360	0%	6%
SD	155,976,559	201,505,459	45,528,900	15%	5%
SU	53,663,601	87,176,779	33,513,178	11%	10%
TOWN	521,893,121	668,795,724	146,902,603	47%	5%
UNIFIED	10,462,782	13,979,852	3,517,070	1%	6%
UNION	147,797,295	222,920,549	75,123,254	24%	9%
Total	894,458,552	1,207,305,730	312,847,178	100%	6%

Two LEA types grow at a substantially greater rate than the statewide rate of 5 percent; SUs grow at a rate of 10 percent and USDs grow at 9 percent. The accelerated growth rate for USDs and SUs may be due to a particular type of expenditure growing or to an inflation of all expenditures. Below are descriptions of expenditure categories broken down by object, program, and function to determine if SUs and USDs are spending more in specific areas or generically. If a particular type of expenditures is driving the rapid growth, then it comprises a substantial portion of the total spending for the LEA type and grows at a rate higher than the statewide average.

Object categories

Supervisory Unions

Supervisory Union spending increases generally, with expenditures in two-thirds of object codes growing at a rate higher than 15 percent. The two fastest growing expenditures by object are Tuition and Other Purchased Services. Tuition expenditures make up less than 1 percent of the total spending by Supervisory unions and are not considered a major cost driver. Other Purchased Services make up about 13 percent of the SU budget and are growing at a rate around 16 percent, indicating that SUs are growing Other Purchased Services expenditures more rapidly than the statewide growth of the same costs. Salaries and Benefits make up the largest portion of the SU budget and are growing at 5 percent and 8 percent respectively. These growth rates are consistent with the statewide pattern of growth for these expenditures.

Union School Districts

Union School District expenditures also show broad growth. Fewer than half of the object categories have a growth rate higher than 15 percent, but more than three-quarters of the object categories show an increase greater than 10 percent. One area of pronounced growth is Property and Construction. The USD growth rate of spending on property (Major Object 700) is high at 24 percent when compared to the statewide property growth rate of just 10 percent. USDs also show a 55 percent increase in Construction expenditures (Object 450) between the two years,

more than double the statewide growth rate of 27 percent. Construction expenditures are unlikely to be a major cost driver as they constitute only about 0.15 percent of spending for USDs. Property makes up more than 2 percent of total spending for USDs (compared to 1.4 percent statewide and 0.9 percent for towns), indicating that a larger portion of Union district budgets is dedicated to acquiring property and that portion increases at a rate greater than for other LEA types. Union districts spend more than average on Salaries and Benefits with a growth rate of 7 percent and 11 percent respectively.

Program categories

Table 2.5 shows expenditures by program for supervisory unions and union districts. The highlighted cells indicate programs making up more than 10 percent of expenditures for the type of LEA with a growth rate higher than the statewide average for the program area. SU expenditures reported by program are clearly growing in pre-K/EEE education and regular education more than all other programs. USDs are showing a general increase in expenditures most notably in regular, special and technical education programs.

Table 2.4: SU and USD Expenditures by Program

Program Description	Statewide Growth Rate	Program % State Total	SU Growth Rate	Program % SU Total	Union Growth Rate	Program % Union Total
General Administration	18%	1%	-3%	13%	163%	1%
Long-Term Debt – Eligible	0%	3%		0%	15%	3%
Long-Term Debt – Ineligible	13%	0%		0%	18%	1%
Pre-K/EEE	28%	1%	14%	4%	35%	0%
Regular Programs	5%	75%	22%	32%	6%	75%
Special Education – Eligible	9%	14%	4%	32%	16%	11%
Special Education – Ineligible	5%	1%	3%	2%	5%	0%
Compensatory Education	8%	2%	7%	16%	32%	0%
Gifted and Talented	25%	0%		0%	-	0%
Other Special Programs	15%	0%	2%	1%	-59%	0%
Technical Education Programs	4%	2%		0%	9%	9%
Other Instructional Programs	14%	0%	-19%	0%	19%	1%

Function categories

Table 2.5 displays SU and USD expenditures by function. The highlighted cells indicate functions making up more than 10 percent of expenditures for the type of LEA with a growth rate higher than the state average per function.

Table 2.5: SU and USD Expenditures by Function

Function Description	State Growth Rate	Function % of State Total	SU Growth Rate	Function % of SU Total	Union Growth Rate	Function % of Union Total
Direct Instructional Services	6%	71%	9%	39%	8%	67%
Support Services for Students	9%	5%	13%	12%	8%	6%
Support Services for Instruc. Staff	10%	3%	18%	6%	9%	3%
Support Services for General Administration	4%	4%	2%	18%	8%	3%
Support Services for School Admin.	6%	5%	10%	7%	8%	7%
Fiscal Services	6%	1%	6%	8%	10%	1%
Internal Services	-3%	0%	-19%	0%	-6%	0%
Other Support Services – Business	13%	0%	36%	0%	26%	0%
Operation and Maintenance of Plant	6%	6%	11%	1%	10%	10%
Support Service – Central	7%	0%	155%	0%	14%	0%
Other Support Services	40%	0%	39%	0%	23%	0%
Debt Service	2%	3%	11%	0%	16%	3%
Subgrants		1%	27%	8%		0%

SUs and USDs are growing at an accelerated pace compared to other types of LEAs. SUs appear to be growing educational programs; regular and special education make up the largest portion of SU budgets and instruction for regular education is one of the most rapidly growing categories. Typically, SUs manage preschool programs and some special education programs. It is not clear why their regular education programs are growing so quickly; however, examining Teacher/Staff Survey data reported by SUs shows that they have substantially increased the number of preschool, elementary and itinerant teachers and teachers' aides. The number of itinerant teachers has tripled in the past five years, indicating that some SUs are developing centralized teaching staffs to serve multiple schools under their administrations.

It is interesting that supervisory union spending is growing at such a rapid pace when SU Assessments are growing relatively slowly. The implication is that SUs are receiving revenue separate from their member district assessments to support educational programs. A parallel study of SU revenues would provide some insight into the source of the funds supporting the rapid growth of SU expenditures.

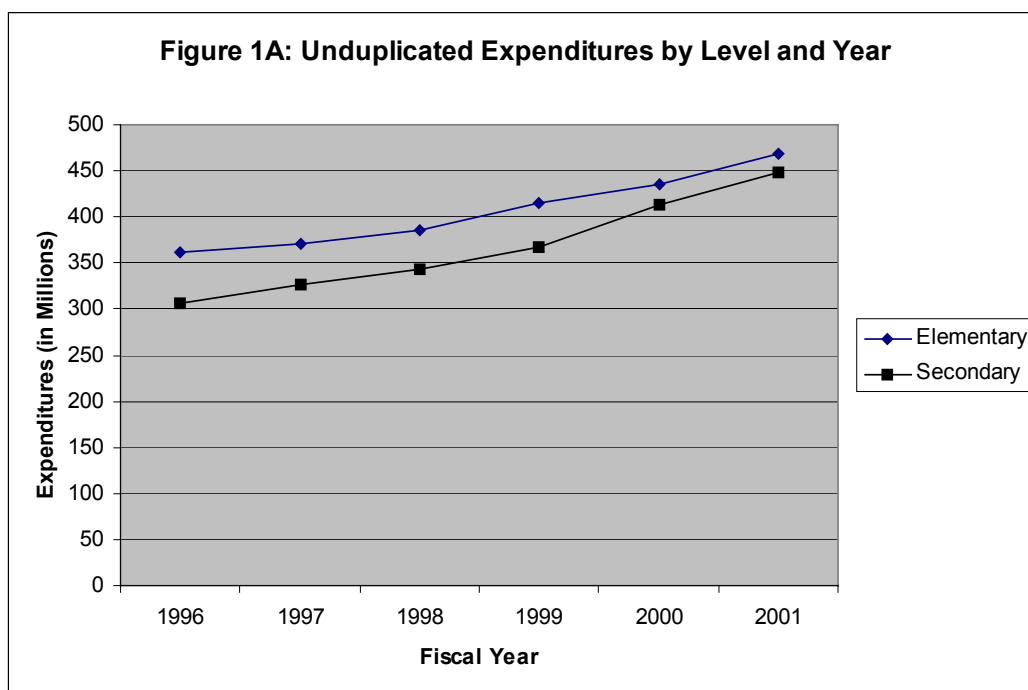
USDs appear to show general growth with most expenditure categories steadily growing faster than the statewide rate. In addition to regular and special education programs, USDs show more growth in property, construction, salaries and benefits. Unions may have fewer constraints on their budgets and, therefore, those budgets grow more freely. Or perhaps, union expenditures are growing rapidly because USDs primarily educate secondary students and secondary spending is growing more rapidly than elementary spending. This difference is addressed in the next section.

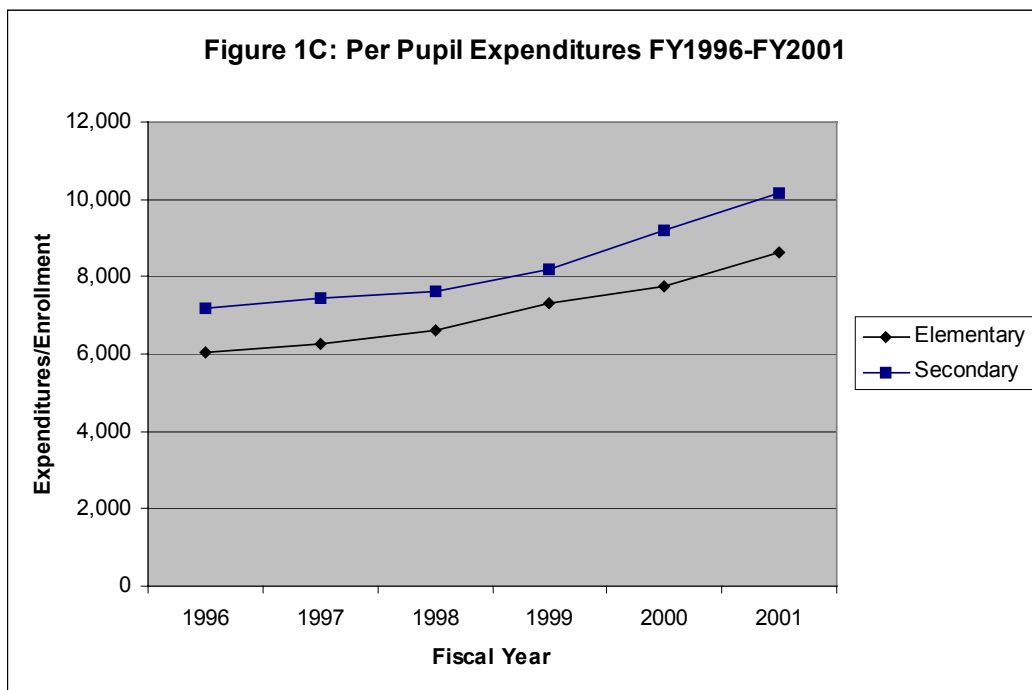
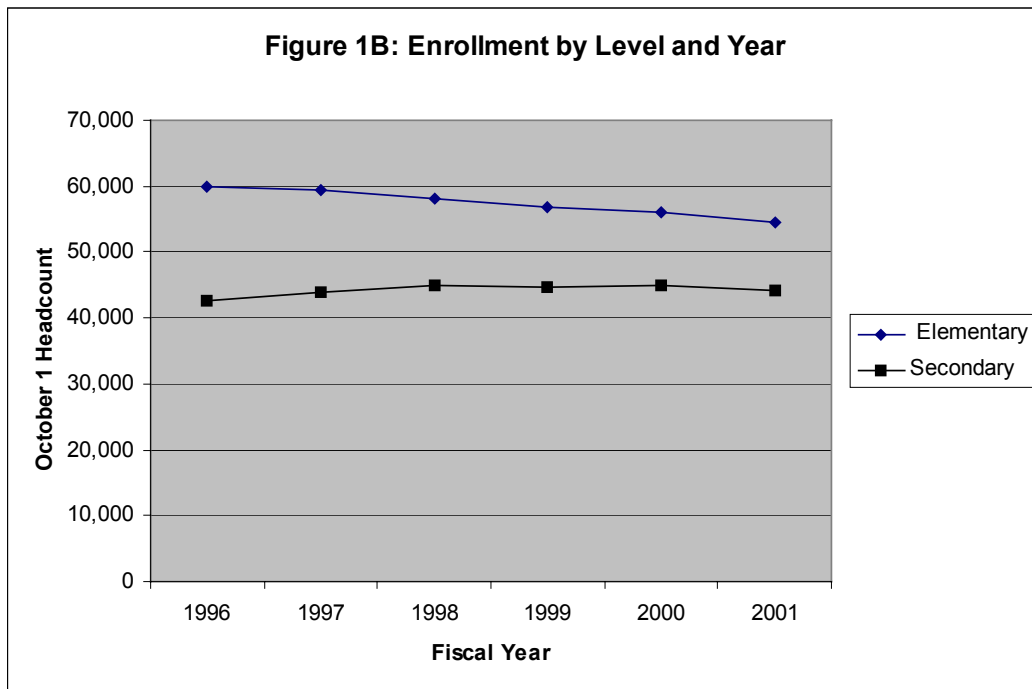
Are secondary expenditures growing at the same rate as elementary expenditures?

We expect that secondary expenditures will exceed elementary expenditures. Like those of many states, Vermont's formula for education weights secondary students so districts receive more funding for a secondary student than for an elementary student. Therefore, state revenues are higher for districts with proportionally more secondary students. This preferential weighting system is based on the assumption that secondary students cost more to educate because they receive specialized classes (e.g., laboratory courses) and more expensive programs are offered to secondary students (e.g., technical education).

Statbook expenditures are coded by education level so secondary expenditures can be separated from elementary expenditures, which allows us to compare their rates of growth. Figures 1A to 1C depict the change in educational expenditures and student population by level. Figure 1A shows that elementary expenditures make up about 52 percent of the expenditures examined; the remaining 48 percent is secondary expenditures. However, secondary expenditures, growing at about 7 percent, are increasing more rapidly than elementary expenditures, with a 5 percent growth rate.

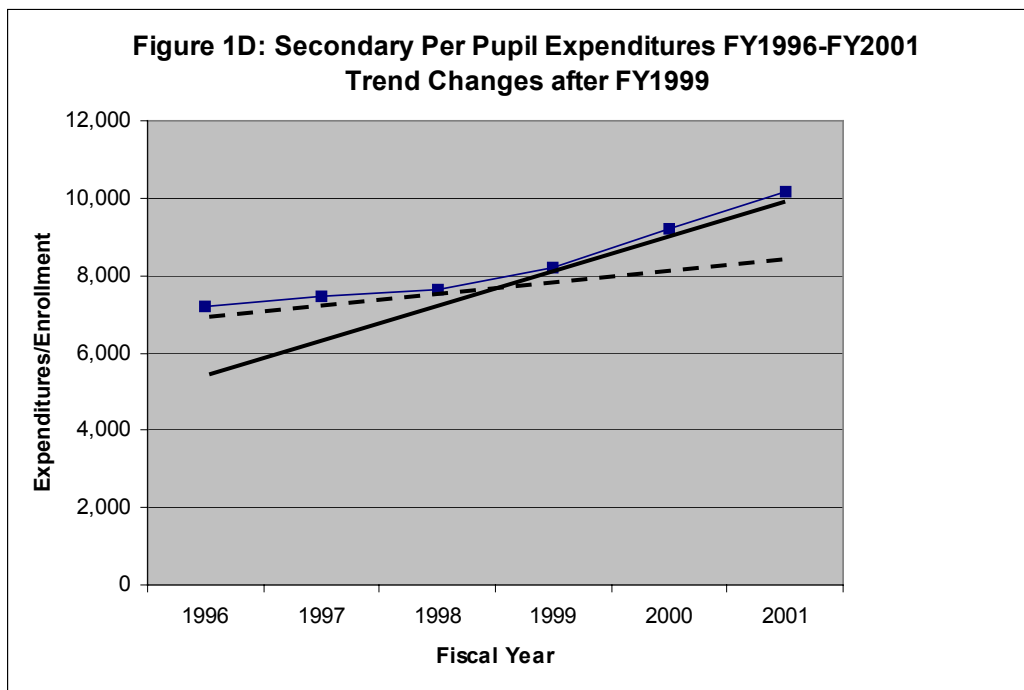
The growth may simply be explained by a change in the student population: the number of secondary students may be growing more rapidly than the number of elementary students. As shown in Figure 1B, statewide enrollment (October 1 headcount) of secondary students is increasing (1 percent growth rate) while that of elementary students is decreasing (-2 percent growth rate). In per pupil spending, presented in Figure 1C, Vermont districts spend more per secondary student than per elementary student, but the rate of growth is the same at each level.





These data do not support the idea that USD spending is growing more rapidly than other district types because they educate more secondary students. If that speculation were true per pupil spending for secondary students would be growing more rapidly than per pupil spending for elementary students. However, it might be worthwhile to examine the per pupil spending of USD expenditures by level to see if the same pattern of growth occurs.

One interesting point is that per pupil spending for secondary education appears to make a sharp turn upward beginning in FY99. Figure 1D shows that the slope of the incline was much flatter prior to FY99 than after FY99.



The dashed line indicates the trend before FY99 and the solid line shows the trend beginning FY99 and ending in FY01. It is clear that there is a sharp incline in per pupil spending at the secondary level. This study does not offer a definitive explanation for this pattern, but we can speculate. Tuitions to private academies and out-of-state schools would be in this data set. One would expect to see the effect of the change in data collection protocol mentioned above at the secondary level more than the elementary level because substantially more secondary students are tuitioned to private academies. The change also may be related to a rapid increase in tuition rates at private academies. Another explanation focuses on a second procedural change in data collection. Beginning in FY99 districts were required to separate grade 7-8 grade expenditures from grade 9-12 expenditures. This change may have affected the way secondary expenditures were allocated.

Are Capital Construction and Long-Term Debt major cost drivers of increased education spending?

Capital Construction and Long-Term Debt are integral to the process of acquiring items that have value for a school district over many years including land, buildings, and equipment,. These expenditures are not included in Current Expenditures. Capital Construction tends to fluctuate dramatically from year to year because districts purchase major projects over one or two years and pay for the projects with debt that will be paid off over many years. For these reasons, Long-Term Debt (Programs 031 and 032) and Capital Construction (Programs 021 and 022) are considered separately from other expenditures.

Long-Term Debt

Long-Term Debt (Programs 031 and 032), consisting of interest and principal payments, was \$32,073,050 in FY96 and \$32,715,899 in FY00. Spending was virtually flat over the period. It grew 11.07 percent to \$36,337,598 between FY00 and FY01 making the annual growth rate over the period FY96 through FY01 2.53 percent.

Capital Construction

Spending for Capital Construction (Programs 021 and 022) varies so much from year to year that discussion of an annual rate of growth for the period is misleading. Most capital construction expenditures reported by school districts are used to construct or purchase new school buildings or to make extensive additions or alterations to existing school buildings. Capital construction figures are as follows:

	FY96	FY97	FY98	FY99	FY00	FY01
Amount	\$57,117,549	\$85,917,343	\$53,949,180	\$25,201,486	\$19,684,325	\$43,512,779

The most likely explanation for the unusual spending pattern is the moratorium on new education construction established by the state in FY96. The surge in spending in FY97 is likely the result of commitments made when the moratorium appeared likely. The rapid decline from FY97 through FY00 would be a consequence of the moratorium and possibly of reduced need related to a pre-moratorium surge in construction. The growth in FY01 might indicate the beginning of a return to a more stable spending pattern.

Neither Capital Construction nor Long-Term Debt has been a major driver of education spending over the period.

Conclusions

We have attempted to characterize education spending in Vermont. We used existing financial, pupil, and staff data to arrive at the following conclusions.

- Education expenditures are growing more rapidly than the rate of inflation. Salaries and Benefits collectively account for more than 70 percent of expenditures and drive much of the statewide growth; however, nearly all expenditures are growing.
- Spending on Purchased Professional/Technical Services has increased more rapidly than average and is not caused by an above-average increase in SU Assessments. Rather, districts are spending more on contractors and other skilled services purchased from outside the educational system.
- Union School District expenditures are growing at a more rapid pace than other district types. Union spending is growing across nearly all expenditure types and cannot be explained by the composition of the student body of USDs or growth in a particular educational program.
- The growth rate of spending in the years following Act 60 in FY98 was substantially higher than the rate between FY96 and FY98. The increase in spending may be due to required

improvements in school quality and to an increase in access to funds for districts considered low-spending prior to Act 60.

- Special education expenditures are growing more rapidly than regular education expenditures. The higher rate of growth of special education is significant enough to be thought of as one of the drivers of education spending, despite the fact that special education is still a relatively small portion of Current Expenditures and an even smaller portion of total education expenditures. The significant increase in regular education strongly suggests that increases in special education spending are not coming at the expense of regular education.
- Supervisory Union expenditures are also growing at a more rapid pace than other district types. It appears that SUs are spending more on educational programs now than six years ago. SU education programs have traditionally focused on pre-K/EEE students and special education students, but the present study indicates a large increase in regular education expenditures. The increase in spending in educational programs at the Supervisory Union level may reflect a shift in spending toward alternative programs to meet the needs of a diverse student population.
- Secondary expenditures are growing more rapidly than elementary expenditures because the number of secondary students is growing while the number of elementary students is shrinking. However, when you look at per pupil spending elementary and secondary spending grow at a similar rate.
- Capital Construction and Long-Term Debt are not major cost drivers in education spending.
- The Statbook data is clearly only marginally useful for longitudinal expenditure studies for several reasons. Reporting is legitimately altered each year due to statutory and procedural changes; school districts operate in varied ways, resulting in varied and legitimate reporting disparities; and the number of reporting errors is large. Nonetheless, the Statbook is useful for pointing to potential research questions that often can be verified with other data collected by the department.

Future Questions

This study has concentrated on data aggregated to the state level and to the level of types of districts. A logical direction for future inquiry is to search for patterns in the rate of spending growth among districts themselves. Future questions include:

- Are districts that saw their tax yields per equalized pupil increase after passage of Act 60 increasing spending more rapidly than districts that saw their yields decline? This comparison would be limited to the town district level.
- How has spending specifically resulting from efforts to improve school quality under Act 60 effected rates of spending? This study would consider spending for support services for instruction, including professional development for teachers and paraprofessionals, and support services for students.

- How have spending patterns between districts considered high- or low-spending during Act 60 implementation changed since FY98 and what is the relationship between spending patterns for these districts?
- If the districts that saw yields increasing are spending more rapidly, is the increase a temporary "catch-up" phenomenon or part of a longer trend?
- Do patterns of spending growth vary according to geographic region of the state?
- Are patterns of spending growth different when school districts are sorted by variables such as square miles in district, number of resident pupils, type of schools operated by a district, and the number of students enrolled in the district's schools.
- Do large and small districts spend money differently? Are administrative expenses higher relative to direct instruction in small or large districts?
- What is the relationship between income and education spending per equalized pupil among town districts?
- Statbook data show a rapid growth of tuition expenditures. Would an evaluation of SU and USD revenues shed light on the source or sources of funding that support the rapid growth in tuition spending? For such a study, it would be important to consider that the department procedures for reporting tuition data changed in FY99 precluding any conclusions based solely on Statbook data.
- Spending on Purchased Professional Services is growing extremely rapidly. Are districts accessing more services or different services than in the recent past or if they are now choosing to hire contractors over full-time staff? Is hiring contractors a more efficient use of district funding than hiring employees to provide the same services?
- The data suggest that Supervisory Unions are spending more on regular education programs and that the cost of these programs is not offset by a comparable increase in SU assessments. A study of revenues received by Supervisory Unions might help identify the type of programs that Supervisory Unions are developing and the sources of funding for these programs.

In this study we examined financial, student, and staff data to try to understand what resources the Vermont education dollar buys. As expected, more questions were raised than answered. This report contains no unexpected conclusions. We report that Vermont districts spend most of their funds on salaries and benefits and that the majority of funds support direct instruction. Education spending grows faster than inflation but we were unable to identify a single or a few types of expenditures that explains this elevated growth rate. Instead, all education expenditures appear to be growing rapidly with a few types of expenditures growing more than average. It is our hope that this report will spur a series of smaller studies aimed toward answering some of the specific questions we ask. Through this effort we may be able to identify factors that will help us understand the growth of education spending.

Glossary

Constant dollars: dollars converted by an index so that their purchasing power is equal to the purchasing power of a dollar in an identified base year. Constant dollars are adjusted to remove the effects of inflation.

Current dollars: dollars unadjusted for inflation.

Current Expenditures: expenditures for activities related to the education of pre-kindergarten through 12th-grade students in a single academic year. Expenditures affecting the education of students over multiple years, such as construction projects, are not Current Expenditures.

Duplicate Expenditures: expenditures resulting when one local education agency pays another to provide services for its students. Although each district pays the cost of the service, the cost of the service actually occurs only once. Tuition payments are an example. A district sends its students to another district's schools. The receiving district records the cost of educating the students while the sending district records tuition as an expenditure in its report. The sending district's tuition costs and the receiving district's costs for educating students are considered a duplicate expenditure.

Enrollment: an annual headcount as of October 1, which shows where students attend school. The information is broken down by school, grade, race and gender.

Direct Instruction (Function 1000): activities dealing directly with the interaction of teachers and students.

Functions: activities for which services or objects are acquired. Functions are classified into five broad areas: (1) Direct Instructional Services; (2) Support Services; (3) Non-Instructional Services; (4) Facilities Acquisition and Construction; and (5) Other Outlays.

Level: specific range defining types of expenditure data. Expenditures currently are reported for four levels: districtwide, elementary (pre-K through grade 6), secondary (grades 7 and 8) and secondary (grades 9 through 12). Prior to FY99 expenditures were reported for only three levels: districtwide, elementary and secondary.

Local Education Agency (LEA): an education agency at the local level that exists primarily to operate public schools or to contract for public school services. In Vermont, town and municipal districts, incorporated districts, joint districts, unified districts, union districts, interstate districts and supervisory unions are all considered LEAs and all submit financial reports to the department.

Local Yield: the ratio indicating the size of a town's income adjusted property tax base in proportion to its number of pupils.

Object: service or commodity obtained through an expenditure. Salaries, employee benefits and supplies are examples of objects.

Programs: groups of activities, objects or units designed to accomplish specific purposes or objectives.

Support Services for Students (Function 2100): activities designed to assess and improve the well-being of students and to supplement the teaching process.

Support Services for Instructional Staff (Function 2200): activities associated with assisting instructional staff with the content and process of providing learning experiences for students.

Total Expenditures: a category of expenditures that includes Current Expenditures, expenditures not directly linked to educating students in a particular year (e.g., Capital Construction and Long-Term Debt), and expenditures that are not part of a school district's spending on pre-K-12 students (e.g., adult education and community services). Total Expenditures do not include duplicate spending for tuition paid to or services purchased from other Vermont public school districts.

Appendix A

Function	Object Description	Expenditures 1996	Expenditures 1997	Expenditures 1998	Expenditures 1999	Expenditures 2000	Expenditures 2001	Growth Rate 1996-2001
Instruction	Salary	316,807,806	328,133,714	341,019,929	358,294,723	377,965,608	399,144,370	4.7%
	Benefits	74,167,404	82,576,035	81,460,773	85,990,153	95,096,636	108,332,746	7.9%
	Purchased Services	18,070,645	20,851,576	21,758,226	22,744,650	28,326,113	32,033,718	12.1%
	Tuition	19,637,498	20,049,242	24,662,612	26,156,265	40,911,015	42,708,683	16.8%
	Tuition to Other LEAs	191,793,034	210,259,114	222,227,205	231,142,332	218,514,288	240,191,428	4.6%
	Supplies	14,342,579	14,354,223	15,986,362	18,036,053	18,731,103	20,981,001	7.9%
	Property	6,041,553	6,491,719	7,571,716	8,386,574	8,950,788	8,331,094	6.6%
Support Services for students	Other	1,136,312	1,371,587	1,286,055	1,210,003	1,341,800	1,939,686	11.3%
	Salary	28,167,989	29,706,759	30,396,952	33,517,561	36,528,006	40,626,290	7.6%
	Benefits	6,139,404	6,794,075	6,674,963	7,302,135	7,930,547	9,380,100	8.8%
	Purchased Services	5,534,595	6,321,924	6,948,531	8,724,710	10,607,120	12,280,118	17.3%
	Supplies	793,869	856,666	924,095	1,041,819	1,189,539	1,260,257	9.7%
	Property	222,255	304,974	301,232	401,935	422,628	500,286	17.6%
	Other	82,024	188,916	264,464	366,551	304,614	305,877	30.1%
Support Services for Instructional Staff	Salary	11,785,044	11,349,331	12,109,963	13,398,339	15,130,128	16,856,996	7.4%
	Benefits	3,377,785	3,547,669	3,716,354	4,069,842	5,005,135	5,508,654	10.3%
	Purchased Services	2,702,382	3,137,674	3,622,823	4,540,201	5,212,810	5,118,388	13.6%
	Supplies	2,729,268	2,831,041	3,343,324	3,613,198	4,582,953	3,952,832	7.7%
	Property	1,066,304	1,324,536	2,053,373	2,704,892	2,764,173	2,585,106	19.4%
	Other	139,663	254,427	205,170	224,396	329,985	287,706	15.6%
Support Services for General Administration	Salary	10,381,658	9,873,536	10,411,254	10,238,832	10,517,233	11,031,178	1.2%
	Benefits	2,544,631	2,612,812	2,573,869	2,449,829	2,832,164	2,959,599	3.1%
	Purchased Services	5,837,894	6,011,010	6,810,965	7,465,110	8,113,792	7,339,371	4.7%
	Supplies	713,320	695,519	750,965	809,295	849,490	727,310	0.4%
	Property	223,610	267,988	322,155	371,348	314,557	255,763	2.7%
	Other	914,808	899,850	1,012,398	887,940	895,459	976,942	1.3%
Support Services for School Administration	Salary	33,173,352	34,072,865	36,268,505	37,991,051	40,888,460	42,915,546	5.3%
	Benefits	7,223,600	8,049,915	8,398,004	8,989,725	9,875,301	10,777,444	8.3%
	Purchased Services	3,652,478	3,613,887	3,880,673	4,695,842	5,342,708	5,463,135	8.4%
	Supplies	1,024,501	991,127	1,076,803	1,211,430	1,408,892	1,425,124	6.8%
	Property	685,277	598,169	697,026	741,550	916,069	732,411	1.3%
	Other	394,707	392,412	399,315	484,531	497,458	551,875	6.9%
Support Services for Operations & Maintenance	Salary	19,711,050	20,230,599	20,476,910	21,274,304	22,310,833	23,556,748	3.6%
	Benefits	5,499,289	5,619,952	5,469,354	5,672,063	6,303,367	7,212,292	5.6%
	Purchased Services	13,916,767	16,163,088	16,656,092	17,882,057	20,191,795	21,460,905	9.0%
	Supplies	17,035,634	18,423,364	17,800,428	17,397,922	20,039,518	22,220,172	5.5%
	Property	1,721,943	1,618,977	2,386,153	3,208,188	3,820,114	3,691,994	16.5%
	Other	34,097	60,743	264,972	182,329	180,506	132,883	31.3%
Support Services for Student Transportation	Salary	4,714,084	4,693,081	4,932,313	5,063,125	5,237,490	5,596,163	3.5%
	Benefits	1,081,433	1,065,394	1,055,548	1,180,486	1,325,630	1,427,350	5.7%
	Purchased Services	15,833,080	16,933,927	17,848,283	19,420,886	21,380,717	21,697,553	6.5%
	Supplies	1,143,241	1,205,270	1,022,829	977,102	1,169,720	1,415,046	4.4%
	Property	1,450,671	1,092,446	1,150,367	1,913,562	1,151,424	1,592,741	1.9%
	Other	97,601	37,467	40,025	77,345	62,173	87,381	-2.2%
Support Services for Other	Salary	6,164,077	5,799,253	6,714,378	7,602,437	8,277,373	9,191,700	8.3%
	Benefits	2,026,607	2,012,886	2,929,045	2,563,326	2,744,935	3,134,247	9.1%
	Purchased Services	2,623,224	2,162,615	2,445,768	3,578,059	3,459,266	3,503,766	6.0%
	Supplies	432,969	399,414	710,436	671,298	693,723	849,034	14.4%
	Property	413,885	400,214	733,656	1,346,070	799,191	712,734	11.5%
	Other	2,135,259	2,334,194	2,791,343	2,494,455	2,331,375	2,513,970	3.3%
Food Service Operations	Salary	6,906,083	6,937,972	7,089,916	6,881,111	7,135,368	7,723,520	2.3%
	Benefits	1,670,083	1,619,388	1,532,206	1,430,697	1,561,489	1,806,275	1.6%
	Purchased Services	2,905,224	3,431,905	3,804,202	3,397,178	4,837,744	4,982,581	11.4%
	Supplies	8,542,791	8,750,274	9,248,246	9,660,901	9,628,093	10,542,173	4.3%
	Property	453,490	358,141	278,477	304,373	551,303	384,383	-3.3%
	Other	217,550	211,355	349,760	150,877	241,401	94,312	-15.4%
Enterprise Operations	Salary	16,796	57,814	125,917	66,073	168,057	22,490	6.0%
	Benefits	1,283	10,519	21,099	8,450	18,441	2,948	18.1%
	Purchased Services	88,676	14,407	40,885	213,001	301,055	176,830	14.8%
	Supplies	592,039	378,960	443,016	336,625	183,274	133,698	-25.7%
	Property	33,221	22,007	376,893	20,528	6,659	11,275	-19.4%
	Other	150	235	9,401	27,530	475	3,372	86.4%
Facilities Acquisition & Construction	All Others	52,671,321	74,568,164	45,049,353	22,598,891	17,992,361	41,756,122	-4.5%
	Land & Buildings	3,593,791	8,479,283	1,469,040	1,537,736	1,193,815	342,520	-37.5%
	Equipment	795,487	634,419	1,095,919	550,533	221,652	905,605	2.6%
Debt Services	Interest	12,725,987	14,282,828	14,112,418	14,626,112	14,605,577	15,436,517	3.9%
	Principal	19,220,178	16,522,705	18,203,567	18,008,300	18,113,587	20,505,612	1.3%
Community Services	All Others	786,614	2,304,075	781,784	919,379	3,728,860	1,419,473	12.5%
	Property	8,794	51,467	35,077	11,407	24,192	30,288	28.1%
Direct Cost Programs	Adult Education	1,263,380	1,446,326	1,476,408	1,352,764	1,612,407	1,548,704	4.2%
	Property	26,906	54,121	19,531	44,912	36,027	152,779	41.5%
Property	Property Total	16,737,187	21,698,461	18,490,615	21,543,608	21,172,592	20,228,980	3.9%
Current Expenditures		684,864,303		749,785,719	792,663,821	870,197,887	934,371,765	6.4%
Total Expenditures		756,322,805	818,108,894	815,583,879	839,078,463	914,704,107	999,325,043	5.7%

*reporting changed FY00

Appendix B

Function Category	Current Exp. FY96	Current Exp. FY01	Difference	Percentage of Change	Growth Rate
Regular Education					
Direct Instruction	358,766,579	467,517,024	108,750,445	62%	5%
Support Services for Students	26,827,790	39,735,690	12,907,900	7%	8%
Support Services for Inst. Staff	19,786,068	32,840,141	13,054,073	7%	11%
Other Support Services	130,475,970	171,212,481	40,736,511	23%	6%
Total Regular Education	535,856,407	711,305,335	175,448,928	100%	6%
Special Education					
Direct Instruction	79,108,863	126,338,662	47,229,799	80%	10%
Support Services for Students	12,780,965	22,567,352	9,786,387	16%	12%
Support Services for Inst. Staff	1,568,396	723,962	-844,434	-1%	-14%
Other Support Services	6,634,093	9,851,943	3,217,850	5%	8%
Total Special Education	100,092,317	159,481,919	59,389,602	100%	10%

Object Category	Cur Exp. FY96	Cur. Exp. FY01	Difference	Percentage of Change	Growth Rate
Regular Education					
Salaries	360,390,897	447,379,008	86,988,111	50%	4%
Benefits	75,092,200	104,165,241	29,073,041	17%	7%
Prof. & Technical Services	12,595,531	22,704,397	10,108,866	6%	13%
Construction Services	553,992	1,872,646	1,318,654	1%	28%
Purchased Property Services	13,441,686	19,250,447	5,808,761	3%	7%
Insurance	1,687,859	2,010,107	322,248	0%	4%
Unduplicated Tuition	12,931,698	30,453,545	17,521,847	10%	19%
Services Purchased from School Systems Outside VT	4,494	217,397	212,903	0%	117%
Other Purchased Services	8,915,304	11,773,277	2,857,973	2%	6%
Textbooks	4,931,083	7,225,420	2,294,337	1%	8%
Supplies	30,824,489	41,962,430	11,137,941	6%	6%
Property & Equipment	9,596,521	15,991,021	6,394,500	4%	11%
Insurance	55,117	12,987	-42,130	0%	-25%
Interest	1,843,916	2,207,135	363,219	0%	4%
Other Objects	2,701,202	3,810,772	1,109,570	1%	7%
Principal	275,000	189,168	-85,832	0%	-7%
Other Uses of Funds	15,418	80,337	64,919	0%	39%
Total Regular Education	535,856,407	711,305,335	175,448,928	100%	6%
Special Education					
Salaries	63,027,155	92,234,349	29,207,194	49%	8%
Benefits	13,771,969	23,019,242	9,247,273	16%	11%
Professional/Technical Services	11,241,343	21,604,526	10,363,183	17%	14%
Construction Services	3,810	2,549	-1,261	0%	-8%
Purchased Property Services	441,203	614,594	173,391	0%	7%
Insurance	13,644	15,528	1,884	0%	3%
Unduplicated Tuition	6,704,640	12,255,137	5,550,497	9%	13%
Special Education Excess Costs*	9,411	2,707,794	2,698,383	5%	N/A
Other Purchased Services	2,932,514	3,598,243	665,729	1%	4%
Textbooks	128,797	235,487	106,690	0%	13%
Supplies	1,103,473	1,835,648	732,175	1%	11%
Property & Equipment	619,552	755,785	136,233	0%	4%
Interest	5,594	11,655	6,061	0%	16%
Other Objects	89,212	591,382	502,170	1%	46%
Total Special Education	100,092,317	159,481,919	59,389,602	100%	10%

Appendix C

Staff Description	FTEs			Salaries		
	% of Total FY1997	% of Total FY2001	Change in Proportion	% of Total FY1997	% of Total FY2001	Change in Proportion
Preschool/Kindergarten	0.26%	0.35%	0%	0.31%	0.39%	0%
Kindergarten	1.80%	1.67%	0%	2.31%	2.19%	0%
Elementary (Grades 1-6)	17.70%	15.71%	-2%	22.73%	20.58%	-2%
Secondary (Grades 7-12)	19.44%	18.54%	-1%	25.50%	24.54%	-1%
Ungraded	6.88%	7.76%	1%	8.59%	9.89%	1%
Itinerant	3.50%	3.95%	0%	4.46%	5.17%	1%
Teachers Aides	19.76%	21.70%	2%	6.91%	8.28%	1%
Direct Instruction Category	69.34%	69.68%	0.34%	70.80%	71.03%	0.23%
Attendance & Social Work	0.16%	0.29%	0%	0.14%	0.30%	0%
Elementary Guidance Counselors	0.95%	0.91%	0%	1.24%	1.24%	0%
Secondary Guidance Counselors	1.30%	1.26%	0%	1.84%	1.82%	0%
Nurses & Nurses Aides	1.25%	1.48%	0%	1.22%	1.39%	0%
Psych., Speech Path., Audiology	1.50%	1.54%	0%	1.87%	2.00%	0%
School Registrars	0.15%	0.25%	0%	0.08%	0.14%	0%
Admin.Asst., Clerical (2100)	0.61%	0.71%	0%	1.84%	0.46%	-1%
Support Services for Students Category	5.92%	6.44%	0.52%	8.25%	7.35%	-0.89%
Athletic Directors	0.25%	0.16%	0%	0.31%	0.18%	0%
Audiovisual Staff	0.20%	0.25%	0%	0.17%	0.25%	0%
Admin. Asst., Clerical (2200)	0.36%	0.28%	0%	0.22%	0.19%	0%
Curriculum Coordinators	0.11%	0.25%	0%	0.20%	0.43%	0%
EEE Directors	0.09%	0.07%	0%	0.13%	0.10%	0%
Librarians	1.37%	1.30%	0%	1.80%	1.71%	0%
School Library Support Staff	0.88%	0.97%	0%	0.36%	0.45%	0%
Title IX Directors	0.00%	0.02%	0%	0.00%	0.02%	0%
Support Services for Instructional Staff Category	3.27%	3.31%	0.04%	3.18%	3.34%	0.15%
Superintendents	0.39%	0.33%	0%	0.90%	0.86%	0%
Assist. Superintendents	0.13%	0.12%	0%	0.27%	0.28%	0%
Admin. Asst., Clerical (2300)	0.74%	0.67%	0%	0.60%	0.59%	0%
Support Services for General Administration Category	1.25%	1.12%	-0.13%	1.76%	1.73%	-0.03%
Principals	1.90%	1.72%	0%	3.63%	3.58%	0%
Assist. Principals	0.58%	0.60%	0%	1.03%	1.14%	0%
Special Ed. Directors	0.38%	0.43%	0%	0.69%	0.83%	0%
Title 1 Coordinators	0.09%	0.11%	0%	0.11%	0.16%	0%
Admin. Asst., Clerical (2400)	2.98%	2.92%	0%	1.92%	1.96%	0%
Bookkeeper	0.00%	0.27%	0%	0.00%	0.23%	0%
Department Heads	0.27%	0.45%	0%	0.33%	0.32%	0%
Vocational Ed. Directors	0.13%	0.12%	0%	0.26%	0.26%	0%
Support Services for School Administration Category	6.33%	6.62%	0.28%	7.97%	8.47%	0.50%
Business Managers	0.35%	0.34%	0%	0.57%	0.59%	0%
Admin. Asst., Clerical (2500)	0.91%	0.73%	0%	0.70%	0.63%	0%
Maintenance and Security	5.95%	5.77%	0%	4.20%	4.20%	0%
Support Services for Business Category	7.20%	6.85%	-0.35%	5.47%	5.41%	-0.06%
Student Transportation	2.18%	1.76%	-0.42%	0.92%	0.74%	-0.18%
Admin. Asst., Clerical (2800)	0.03%	0.11%	0%	0.02%	0.09%	0%
In-Service Training	0.00%	0.12%	0%	0.00%	0.05%	0%
Planning, Research, Develop	0.05%	0.05%	0%	0.07%	0.06%	0%
Statistical, Data Processing	0.07%	0.22%	0%	0.07%	0.29%	0%
Support Services for Central CategoryI	0.15%	0.51%	0.36%	0.16%	0.49%	0.34%
Food Service Staff	4.36%	3.71%	-0.64%	1.49%	1.43%	-0.06%

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